Fact Sheet

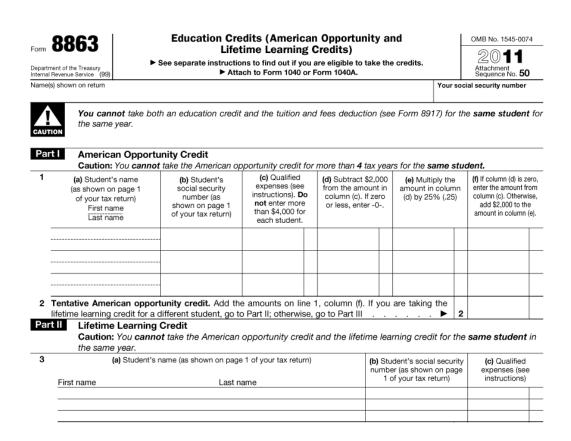
Module 10: Education Credits

Taxpayers have two credits available to help offset the costs of higher education, by reducing their income tax. These credits are the American Opportunity Credit and Lifetime Learning Credit, also referred to as education credits.

The requirements for taking these credits depend on:

- the taxpayer's filing status and AGI or MAGI
- eligible education institution
- qualified tuition and related expenses

The American Opportunity and Lifetime Learning Credits are claimed on Form 8863, which can be filed with either Form 1040 or Form 1040A.



Education Credits Requirements and Limits

The requirements for claiming these credits include:

- filing status and modified adjusted gross income (AGI) of the taxpayer
- whether the student and the educational institution are eligible
- what the expenses were for—only tuition and related expenses qualify
 - related expenses are course-related books and materials, supplies and equipment, and student activities

There are income limits to the American Opportunity Credit and the Lifetime Learning Credit.

American Opportunity Credit

The American Opportunity Credit allows taxpayers to claim a credit of up to \$2,500 based on qualified tuition and related expenses paid for each eligible student. To be eligible for the credit, the student must be:

- Enrolled in a program that leads to a degree, certificate or other recognized educational credential
- Taking at least one-half of the required workload for the course of study for at least one academic period beginning during the calendar year
- Enrolled in the first four years of postsecondary education
- Free of any felony conviction for possessing or distributing a controlled substance

Taxpayers whose modified AGI is \$90,000 or more (\$180,000 or more if married filing jointly) are not eligible to take the credit. For taxpayers whose modified AGI is over \$80,000 (over \$160,000 if married filing jointly), the credit is phased out (gradually reduced).

Lifetime Learning Credit

Taxpayers may claim a Lifetime Learning Credit of up to \$2,000 based on qualified tuition and related expenses paid for *all* eligible students enrolled in eligible educational institutions.

The Lifetime Learning Credit is based on the total qualified education expenses paid by the taxpayer and not on the number of eligible students. Education expenses that qualify for the Lifetime Learning Credit are for courses:

- taken as part of a postsecondary degree program, or
- taken to improve or acquire job skills

Taxpayers whose modified AGI is \$60,000 or more (\$120,000 or more if married filing jointly) are not eligible to take the credit. For taxpayers whose modified AGI is over \$50,000 (over \$100,000 if married filing jointly), the credit is phased out (gradually reduced). There is no limit on the number of years the Lifetime Learning Credit can be claimed.